

D寄： Consultation Paper for SME

From: arseneyiu@fstb.gov.hk
Date: 14/12/2011 12:26
To: <co_rewrite@fstb.gov.hk>
Cc:
Subject: D寄： Consultation Paper for SME

Simon <simontsao05@yahoo.com.hk>

14/12/2011 11:16

Please respond to Simon <simontsao05@yahoo.com.hk>

To "arseneyiu@fstb.gov.hk" <arseneyiu@fstb.gov.hk>

cc HKICPA <hkicpa@hkicpa.org.hk>

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Subject Consultation Paper for SME

Dear Arsene,

Thanks for your email clarifying the situation.

My belief of the role of the Registry is one of regulatory. Accounting report by itself serves both serves both a regulatory and revenue function, and the question therefore is whether you think think the current sections 141C and 141D is sufficient.

75% threshold for election of simplified accounting

As you are well aware, the simplified accounting implies hiding of certain information, which which may be relevant to minority shareholders. From a regulatory approach, if there should be should be any relaxation, I would propose it be 95% because we believe 5% or below is immaterial. There has been lots of complaint about discriminating the rights of minority and and therefore the disclosure from a regulatory approach is necessary to safeguard the interests of interests of minority and the 75% threshold is much too high.

Size Test

I believe the regulatory purpose is the same as to whether it is a large or a small company. Size company. Size test is irrelevant in considering the application of simplified accounting, both both from a regulatory or revenue purpose. The exemption comes only from the outcry for high for high compliance cost but if the majority of shareholders agreed, then they can prepare simplified accounting and I believe there should be no argument for that!

Further exemption for Group Companies

The mandatory preparation of group accounts serves both a regulatory and revenue purpose: to purpose: to seek for any related parties' transactions. However, with the complicate offshore

offshore jurisdictions and use of nominees, disclosures based on group accounts cannot be viewed as an effective tool to detect any profit shift, transactions not at arm's length etc. It is therefore the role of the Government to consider whether they give the auditors with adequate legislative powers to search or demand for documents, which can serve the audit purpose. For pure holding companies, I believe there is no need for preparing group accounts irrespective of size because it does not serve any regulatory nor revenue purpose under current legislation.

Other Compliance Requirements

For disclosures above sections 141C and 141D, I believe it is the role of the Government to seek for specific legislation on such reporting purposes, such as banks, charities, and public companies etc.

Thank you for your kind attention to the matter!

With best regards,
TSAO Yea Tann Simon
FCCA, CPA(Practising)